

The complex Pricing trends and the Consumer Protection in Bangladesh: An empirical study

Md. Sazzad Hossain*
A.N. M. Arifur Rahman**

Abstract

In this article the authors have tried to understand the vulnerable conditions of the consumers. The newly prepared products and the imported products are labeled with irrational prices. There is no proper provision of law which would widen the hands of the state to control such unilateral arbitrary fixation of the commodity prices. Sometimes, it is found that higher prices are demanded than the maximum retail price. There is no fixed level up to which profit could be earned. A remarkable amount of money is spent for marketing of a product. It was also observed that the advertisement cost becomes 3 to 5 times higher than the original production cost. The rampant behaviors of the entrepreneurs or businessmen cause huge loss and sufferings for the common people who commonly consume the goods or products. The Consumers Rights Protection Act, 2009 needs to reform so that it could focus on the reasonable process of fixing prices of goods for the better interest of the consumers.

Key words; *Consumer, reasonable price, fixation of price, rights, monopoly, maximum retail price (MRP).*

Introduction

In the free market economy the buyer is a silent victim of manipulated market forces in the country. It is happening due to long-drawn out absence of a consumer law. The provisions of consumer protection can be found at Articles 15 and 18 of the Constitution. Bangladesh has a few specific consumer protection legislations which are 'scanty', scattered over a whole range of consumer interests (Azad, 2013). Therefore, there is no successful consumers' protection law in Bangladesh (Azad, 2013). The study has been attempted to focus on existing rules about consumer rights protection and identifies the present status of consumers and problems faced by the consumers.

People belonging to the lower and fixed income groups continue to rule under the burden of spiraling prices of essential commodities and that too in short weights and measures, not to speak of the quality (The Daily Star, 2007). The Consumers protection Act 2009 basically emphasizes on

*Assistant Professor, Department of Law, Stamford University Bangladesh.

** Assistant Professor, Department of law, Stamford University Bangladesh.

the health and food (s15-16). The aforesaid subjects are guided in the 'fundamental principles of state policy' (The Constitution of the Peoples Republic of Bangladesh, 1972) part not under the 'fundamental rights' part of the Constitution. Hence, they remain mostly non-enforceable in the courts of law (Ahamuduzzaman and Hussain, 2009).

Objectives of the Study

The main objective of the study is to understand and identify the major troubles of the customer in our country, which are frequently faced by the customers. More specifically, the objectives of the study are as follows:

1. To Understand the existing laws for consumer protection in Bangladesh.
2. To determine the pricing system of goods in the state.
3. To identify the main causes of reasonless pricing and price hike in the state.

Methodology followed

This is a qualitative study. To find out the causes of price hiking in Bangladesh is rampant in nature. The seller-buyer engagement is so complex and reckless that the sellers decide everything unilaterally. To explore the causes behind it no individual could provide sufficient proper knowledge. Hence, the persons involved in this rotation have been interviewed. The experts regarding market, sufferers or consumers and businessmen were interviewed. The capital of the state, business towns, remote areas and the specialized areas like airport, launch/ steamers, the river ports were sampled to conduct the study. The interviews were also taken with sufficient caution so that the exact information would be achieved.

Concept of Consumer and Rights

According to the law, consumers are those persons who, for themselves or for their dependants, buy or use or obtain permission to use any product or service by offering a price, prompt or due or in installments. In addition, any person using such products with the consent of the buyer will also be treated as a consumer. But if someone buys something for the purpose of resale or for any other commercial purpose, he or she shall not be considered as a consumer.

Consumer rights refer to a consumer's right to safety, to be informed, to choose and to provide manufacturers with information concerning their products when they make a purchase. Manufacturers who violate consumer rights are subject to lawsuits by their customers. For instance, a consumer who purchases a child's toy that subsequently hurts their child can hold the manufacturer responsible in court. The customer can hire a lawyer and sue the company for failing to produce a toy that was safe for children. Lawsuits involving manufacturers happen all the time and they typically claim that manufacturers were negligent. There have been many cases where consumers have won millions of cases because manufacturers ignored consumer rights laws.

Consumer rights are generally a reference to a body of law that pertains to things the producers of goods must do to protect customers from harm. These laws have come into existence through a series of legal disputes, and have been shaped by the results of those cases. In a few instances,

some states have actually codified regulations that they refer to as “consumer rights” laws, but this is not yet the majority practice. The most of the developed countries have shaped their domestic protection with utmost cautiousness. The developing countries are still struggling with it. They are in the process to ensure proper rights of the consumers. One of the most widely accepted basic consumer rights is the right to safety. In other words, consumers should be able to assume that the products they buy are reasonably safe for their intended purpose when used as directed. Defective safety equipment in cars, excessively flammable home products, and dangerous toys are a few examples of products that were found to be unreasonably safe and helped shape the body of law creating this right. Through decisions holding the makers and sellers of these products liable for injuries resulting from their dangerous designs, this “right” against unsafe products has been discerned.

Another commonly agreed upon right is the right to be informed. This means the right of the consumer to have sufficient information to weigh alternatives and to protect the consumer from false and misleading claims in advertising and labeling practices. This is particularly relevant to products like medications and health care devices. Knowing exactly what the chemicals one puts into their body could do is critical to allowing the consumers to make an informed decision and allowing consumers to harm themselves through the use of a product about which they were not properly informed led to lawsuits that created this “right.” Truth in advertising and laws against unfair competition lend to the legal substance of this right.

Specific Rights of consumers

Former US President John F. Kennedy outlined only four basic consumer rights in a declaration in 1962 regarding the Rights of a Consumer such as (1) the right to safety; (2) the right to be informed; (3) the right to choose; and (4) the right to be heard (Ahameduzzaman, Md. Lutfor Rahman and Nahida Nazmus Zannat, 2009). The Consumer Rights and Protection Act, 2009 covers the following rights.

- I. Right to obtain commodities or services at a price fixed by the authority or at a reasonable price.
- II. Right to have safe and pure products.
- III. Right to have necessary and correct information about products
- IV. Right to be informed of the qualities or defects (if any) of a particular product
- V. Right to know the accurate quantity of the product
- VI. Right to know the utility, purity, and price of the product
- VII. Right to have products or services in correct quantity and quality
- VIII. Right to have choice among similar products
- IX. Right to have protection against activities relating to purchase or sale of products by which life or property may be in danger
- X. Right to have access to remedy in relation to violations of consumer rights
- XI. Right to have protection from concealment of information and unfair trade Practices
- XII. Right to have protection from arbitrarily imposed sale conditions by the seller

Even though until 2009, a unified consumer Act did not exist, about 40 different pieces of legislation could be attributed as forming the legal regime in the field of consumer protection regulating different goods and services in Bangladesh. Some notable laws include the Bangladesh Standard Testing Institute (BSTI) Ordinance, 1985, the Control of Essential Commodities Act, 1956, the Pure Foods Ordinance, 1959, the Sale of Goods Act, 1930, the Standards of Weights and Measures Ordinance, 1982 and the Accreditation Board Act, 2006. However, there was no unified and effective machinery for the enforcement of these legislative measures until 2009 and thus the consumers did not enjoy statutory rights to seek redress of their grievances arising out of the violation of the provisions of these laws (Saqeb Mahbub, 2014).

Recent Pricing Trends

The super shops are gradually occupying the position of markets which would be compared to occupying the markets by the non market actors. Imported fruit Juice, soya been oil, mastered oil, coconut oil, fruits, dates are sold without having any transparency in pricing procedure (Jamsed Mia, 12 Dec, 2016). A number of importing companies have been interviewed in Chittagong. They all told that on a few persons has the permission to import certain goods. The owners never compromise with the profits (Sagar Mazhi, A retail busiman in Tekhnaf bazaar). The owners have made some bodies to regulate the markets at their own choice (Mojid Hawlader personal interview 13 Dec 2016). They seldom care the advice or urge of the government (Jamir Uddin, persona interview). Every few month, the owners of the big merchants reshuffle the wholesale commodity prices in the name of price hike in the international markets. There is no proper judgment and reason to fix the price. No expert opinion is sort by the businessmen (Solaiman Chowdhury, market expert). The opportunity of opening Letter of Credit (LC) is open for all. There is no proper control about the number and permitted person who could import goods (Nur Reza Chowdhury, a Wholesale Businessman in Chittagong). Hence, it is not possible to overview for the government to adjust the market. It is argued that moral obligation of the businessmen needs to be increased.

Consumer Statements

When a businessman institutes a business, likes to get back the money he or she has invested. According to the business rule, a portion could be adjusted with the regular price (Md. Shahnewaj who is an industrialist in Dhaka). Sometimes huge amount is invested for advertisement and circulation. That creates burden over the shoulder of the customers (Md. Shahnewaj) who is an industrialist in Dhaka). He also argued that a body could be formed to continuous checking to find out the businessmen who used to gain more than 10-15% profit against the cost of raw materials, fuel cost, portion of infra-structure labor and miscellaneous cost.

Harun-Ur-Rashid, a cloth businessman in Chittagong claimed that the retailers wait for the two occasions of Eids (The Holy ritual for the Muslims). He added that in the two occasions they could collect the total cost and profit of the year. The prices of clothes are replaceable. Time to time it varies (Md. Jamal Hafiz, a shop owner in Bosundhara Shopping Complex). The retailers several time used to change the cost of the price. There is no specific mechanism to maintaining the quality of fabrics (Ahsanul Haque, Consumer in Chittagong). He claimed that the dresses of worst qualities are exposed with high price which allure the modern consumers who are fascinated to branding. Akteruzzaman, a student in Dhaka always show his preference to buy a dress from a branded shop though it claims huge money while Sabrina, Jyoti, Juwana like to buy Indian dresses to meet up their modern demands.

Jamal Uddin, a resident in Muhammadpur, buys grocery from the markets and from the chain shops. He explored that the chain shops reduces the price of few products to attract the customers while increase others as well as imposes VAT on the sold goods. There is a fundamental principal that the price mentioned on the products is always inclusive of all the taxes. So MRP (maximum retail price) is inclusive of all taxes including VAT also. There is always a term inclusive of all taxes written besides the MRP price also on all products (CA Mohit Gupta, practicing tax consultant). So collecting VAT from the consumers twice is another method of torture.

Sharif Md. Sanaul Huque, a joint district judge visits Barishal region by launch. He experienced that the commodity price was three times higher than the river port. Due to his professional dignity he used to keep mum. He added that the same is in trains and in the shops of the airports. He also told that it seemed these places are beyond the territory as if the good were from distant countries in the world. He claimed that all these are malpractices of the businessmen.

Julhas Kabir, a senior journalist alleged the corrupt ethics of the businessmen. He also added that the businessmen can do anything for profit. They never care for the safe preparation of foods, baby foods, fruits, sweets, liquid milk, biscuits, jam, jelly, fruit juice etc. In our country rarely the products are frequently checked. In most cases once a clearance is given by the Bangladesh Standard Testing Institution (BSTI). One thing should be accepted that the man power in the government offices is not that much to check it by rotation. The ethical values of the businessmen and entrepreneur could ensure quality foods. The reputed hotels are sometimes fined by the mobile courts. The chickens, beef, mutton we commonly eat in the restaurants are seldom tested for quality. The owners association of the business of various sorts could extend their hand to help the government for quality food and fixation of price.

A member of importers association held that they always fix the price considering the interest of the association in lieu of the interest of the consumers. They use the international market as an excuse to price hike. If the trading Corporation of Bangladesh or the effective body demands justification for the price fixed, simply they will fail to explain. The cosmetics and chocolates are the places of most monopolies. The cosmetics are imported in Bangladesh rarely are tested in the labs to maintain the quality whereas when Bangladeshi products are sent in different countries, consigns are checked before selling into the markets. He also added that we are developing and the market is becoming very competitive. Unilaterally fixation of prices of goods may create uncertainty among consumers. For the interest of the state, the fixation of prices should be reasonably done.

The vital one is syndication of business. The giant business men manipulate the open market by creating artificial crisis of goods. The administration is not that much strong to compete with the power of such syndicate holders. They used to create various sort of problem so that they cannot be protested or resisted. Besides, the open market economy always encourages private entrepreneurship. The market should be kept competitive so that monopoly could not get place. A recent trend has been found that the big merchant centralize all the opportunities within a few people of the society. Those people are very cautious so that their rate of interest would be properly maintained. The Bangladesh Bank (BB) has alleged the syndication of market for volatility in the countries commodity market (Shahiduzzaman Khan, The Financial Express, 24 May 2012).

Artificially, shortages in supply chain of commodities are done leading to price-spurt of essentials (Shahiduzzaman Khan, The Financial Express, 24 May 2012). The pretty wholesalers at Karwanbazar, badamtali, or swarighat also are the sufferer of such syndication (Shahiduzzaman Khan, The Financial Express, 24 May 2012). Mustafizur Rahman, executive director of the Centre for Policy Dialogue, said the government needed to look into whether imported items were being supplied to the markets on time, instead of “going from market to market with sticks in hands (May 30, 2016).

The consumers act 2009, basically deals with the rights of the consumers. In modern international practice of business still we are child. We need few more experience. Law generally aims to prevent harms and protect people from one’s harmful behavior toward another. This protection is sought to be achieved through proscribing certain conduct and imposing liabilities for flouting these proscriptions (S.M. Solaiman and Abu Noman M.A. Ali, 2014). Section 66(3) of the Consumer Rights and protection Act 2009, (CRPA) entitles a consumer who is affected by “an act” of a “trader” to claim compensation where the former’s (consumer) pecuniary assessable loss or damage is caused by the latter’s (trader) “acts against consumer rights.” Section 2(16) of the CRPA defines the term “trader” encompassing manufactures, producers, processors, suppliers, wholesalers, as well as retailers. A trader, who would be liable to a consumer, as mentioned in s66(1) of the CRPA is a person who embraces a natural person, company, association, partnership firm, or any statutory or other organizations or their representatives under s. 2(17). It is thus clear that everyone from the manufacturer to retailer is subject to this civil liability (S.M. Solaiman, Abu Noman and M.A. Ali, 2014).

Identified causes

The pricing of goods, commodities are unilateral practice in the state. The businessmen always like to hide things from the administration. In doing so, they sometimes manipulate the owners association and exploit the retailers. The reckless behavior of the businessmen causes volatility in the commodity market. The Consumer Right and protection Act 2009 has emphasized on the fixation of commodity price with reason. The penal procedure is not that much articulated and sufficient (S.M. Solaiman, Abu Noman and M. A. Ali, 2014). The existing penal process limits all the actions in monetary compensations only, which needs much specification with criminal liability. Administrative control and overview is very nominal in comparison to demands. Finally, cautiousness among the consumers is remarkably absent.

Recommendations

The idea of consumers’ protection is almost new phenomenon in Bangladesh. Just sum ten years have passed since we first adopted such an important law. It is really logical to develop the law properly few more times should be given. The idea of sustainability should be made a part of consumption. Through this recommendations it would effectively resist all the anomalies may not be possible. However, it could be argued that it will reduce the irrational mentality of the businessmen. The following thing could bring betterment for the common businessmen-consumers relationship.

- I. Reckless, rampant, profit earning behavior of the business magnets should be changed.
- II. A state level committee would be made to fix the prices including representatives from businessmen, consumers, and from administration.
- III. An over viewing authority should be constituted to look after the unilateral behaviors of the businessmen.
- IV. Proper laboratory should be established with which quality of the products checked or challenged.
- V. Any sorts of violation or adulteration, fraud, misrepresentation, marketing counterfeit goods should be adjudicated under the Protection of the Rights of the Consumers Act. Routine reformation of the laws is really important.
- VI. The persons against whom an allegation would be proved, his /her right to open LC should be suspended for a minimum term of one year.

Conclusion

In modern era, a market cannot be imagined without the existence of consumers or producers. Both the parts are complementary to each other. The theory of 'high sale, low profit' should be followed. The persons involved into business probably fail to consider it. Consumer satisfaction in business is another important subject. The interviews were conducted to find out the causes behind the arbitrary activities of the producers or entrepreneurs. They were from different professions. Their comments were almost of same nature. There were some big merchant who told many things with a stipulation of not to disclose their names. All the businessmen are not happy with this to carry such vindication. For the better interest of the state, and citizens these malpractices should be stopped. The consumer protection law may be amended. Implementation mechanisms of the existing laws should be closely scrutinized by the concerned department of the state. Finally, manipulation of power exploitation must have to be controlled.

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Persons Interviewed

Jamsed Mia, (12 Dec, 2016).

Sagar Mazhi, A retail busiman in Tekhnaf bazaar

Julhas kabir, a senior journalist

Jamal Uddin, a resident in Muhammadpur

Akteruzzaman, a student in Dhaka

Md. Jamal Hafiz, a shop owner in Bosundhara Shopping Complex

Ahsanul Haque, Consumer in Chittagong khatungonj area

Harun-Ur-Rashid, a cloth businessman in Chittagong

Sabrina Mutaza, A student of East West University

Anonya Jyoti, a student of BGMEA University

Routhy Juwana, a medical student in Chittagong who is a foreign student.

Md. Shahnewaj who is an industrialist in Dhaka.

Jamsed Mia, 12 Dec, 2016

Mojid Hawlader personal interview 13 Dec 2016

Jamir Uddin, personal interview

Solaiman Chowhury, market expert

Sharif Md. Sanaul Huque, a joint district judge

Nur Reza Chowdhury, a Wholesale Businessman in Chittagong